



2007 - 2008
Annual Report

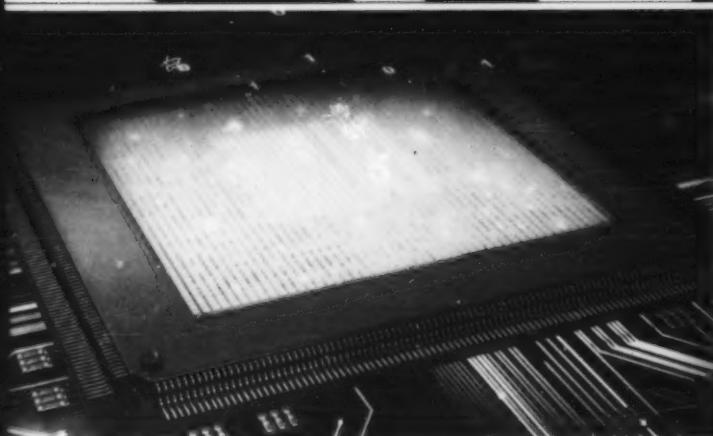
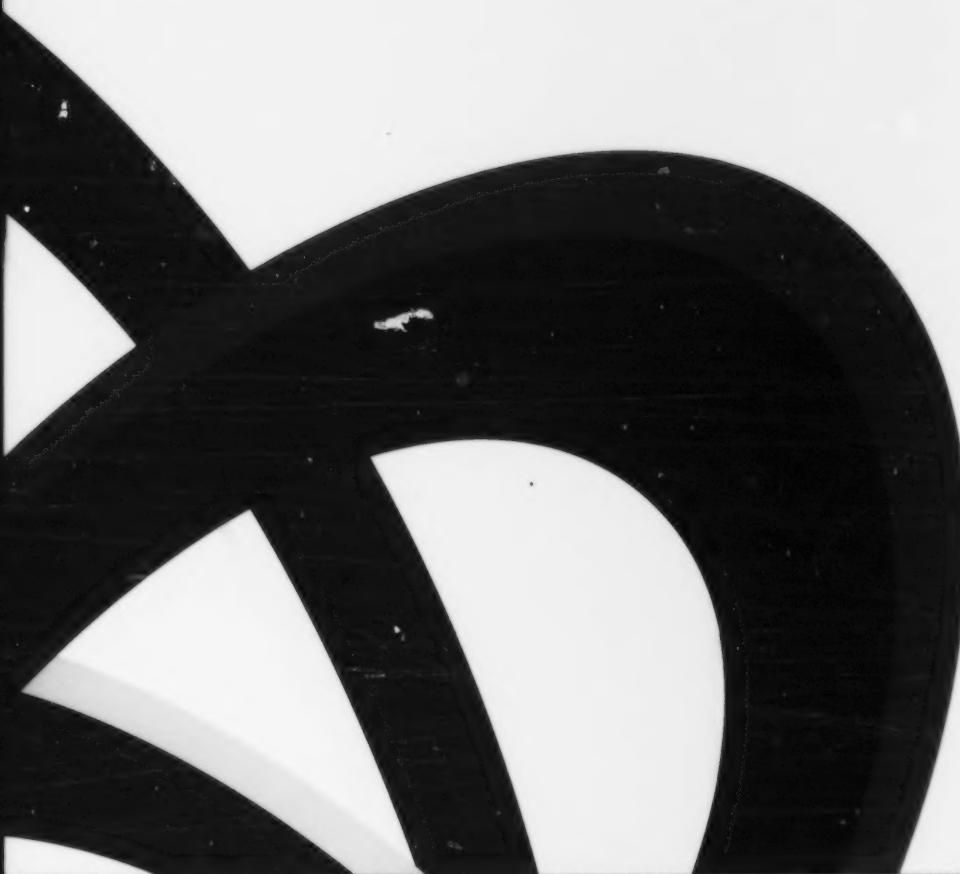


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MINISTER OF
SCIENCE, TECHNOLOGY, ENERGY AND MINES

Legislative Building
Winnipeg, Manitoba CANADA
R3C 0V8

June 13, 2006

The Honourable John Harvard
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg, MB R3C 0V8



Dear Honourable Harvard:

I have the privilege of presenting the Manitoba Education, Research and Learning Information Networks (MERLIN) Annual Report for the operational year ending March 31, 2006.

Respectfully submitted,

Jim Rondeau



Science, Technology, Energy and Mines

Deputy Minister
Room 349, Legislative Building, Winnipeg, MB, R3C 0V8
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June 13, 2008

Honourable Jim Rondeau
Minister of Science, Technology, Energy and Mines
Room 333, Legislative Building
Winnipeg MB R3C 0V8



Dear Minister Rondeau:

I am pleased to submit for your consideration the Annual Report of the Manitoba Education, Research and Learning Information Networks (MERLIN) for the year ended March 31, 2008.

The Agency's diverse service offerings support the education community across the province. From the delivery of programs to providing expert advice and services on the complex technology implementations, the Agency is unique in its approach and focus on finding the best solution to meet its clients' needs.

MERLIN is committed to listening to school divisions and educational organizations and working collaboratively with Manitoba Education, Citizenship and Youth. This collaboration with key stakeholders provides MERLIN with many opportunities for success.

I would like to take this opportunity to thank the Advisory Board for their support and commitment and all staff for their dedication and effort that have contributed to MERLIN having a successful year.

Respectfully submitted,



John Clarkson

Enclosure





On behalf of staff, I am pleased to report on the achievements of the Manitoba Education, Research and Learning Information Networks (MERLIN) for the year ending March 31, 2008. During the year, MERLIN continued to support and respond to the needs of the education community.

In the past year, MERLIN has adopted a new brand that clearly portrays our approach of working collaboratively with our partners to achieve goals that are bigger than those that can be achieved individually. The results that are presented in this document are a clear indication of the success of this approach:

- We have had continued success with both the Partner Program (96% participation) and the Independent Partner Program (almost 50% participation) and we expect this success to continue into the future.
- We have entered into consulting engagements with a record number (27) of school divisions this year.
- We have been working collaboratively to represent the needs of the education community to the Manitoba Network Task Force and we expect that this will result in a new network offering that meets our collective needs.

We have also been very fortunate to have 12 very strong and knowledgeable individuals appointed to our Advisory Board by Minister Rondeau. We look forward to working with this new board to establish and deliver on a strategic agenda over the next two years.

I would like to take this opportunity to thank our Minister, Deputy Minister, Advisory Board and other major stakeholders for their support and advice over the past year which has helped the Agency to realize our goal of supporting the use of technology in improving educational services to learners.

Finally, I would like to thank MERLIN staff for their continued hard work and dedication which has allowed us to accomplish an impressive number of objectives for an Agency of sixteen people.

A handwritten signature in black ink that reads "Greg Baylis".

Greg Baylis
Chief Operating Officer

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Agency Profile

Background

Manitoba Education, Research and Learning Information Networks (MERLIN) was established in 1995 as a special operating agency with the Department of Education and Training. It was formed as a facilitating body to coordinate the delivery of distance education and technology services to the education community across Manitoba. MERLIN now operates under the Department of Science, Technology, Energy and Mines.

Mission

To support the use of technology in improving educational services to learners.

Mandate

- Provide services that support educational institutions in the application of technology tools to enhance and expand program delivery; and
- Provide direction and management in the educational use of networks, acting as a broker of services to meet client needs.

Services

The services provided are allocated into the following sections:

See chart on page 7

Partner Program

The Partner Program includes a collection of commonly used services such as: licensing (desktop & anti-virus), Internet bandwidth, monitoring and reporting of Internet traffic, access to high-speed direct connect services, spyware filtering for web traffic, web content filtering, anti-spam / anti-virus scanning, hosting,

consulting and discounted cell phone, long distance and blackberry plans. This package translates into major cost savings and benefits for schools in Manitoba.

Funded Independent Schools' Partner Program

This Program is very similar to the Partner Program but is customized for funded independent schools.

Consulting

Includes per diem consulting, project consulting and support contracts.

- Design and implementation of LAN and WAN, directory services and server infrastructures
- Advice on the selection of technical equipment and services
- Support for the installation and maintenance of workstations
- Advice on technologies that support distance education delivery
- Network systems management
- Security services (VPN, WAN, etc)
- Review of a school division's existing technology plans

Provincial Licensing and Purchasing

Licensing and purchasing on a province-wide basis helps ensure consistency in hardware and software products and provides economies of scale for smaller school divisions.

- Purchase advice and assistance for hardware including routers, switches and firewalls
- Negotiation of software licensing agreements and hardware discounts
- Advice on licensing and purchasing of software



Shared Services

Includes the provision of the Department of Education website, Internet and related services to school divisions.

- Access to high-speed research and education network ie CA*net 4 and MRnet
- Internet access
- Content and spyware filtering
- Hosting of websites and web-based applications
- Web server and maintenance of MECY's web page
- Email anti-spam / anti-virus solutions
- Email list server

Technical Training

Training customized for school divisions assists them to sustain operations and enhance their own technology infrastructures. Training services are intended to provide education-specific training in areas where it might not normally be available.

- Support for applications of distance education
- Delivery of workshops and seminars (example: Manitoba Association for Distributed Learning and Training (MADLaT)) on distance education topics
- Seminars and workshops related to the practical use of technology. Examples: Licensing; Network security; GroupWise; BorderManager; Basic network administration; Desktop Management; up-dated administration applications

General Support for the Education Community

This includes activities such as general Help Desk support and participation in various educational organizations including CECM, MADLaT, BYTE Technology Conference, MECY Literacy with ICT Advisory Committee, Post-Secondary Education Committee on Learning Technologies, MRNet, Computers for Schools and Libraries, etc.

Markets

PRIMARY

Schools and school divisions (K-12) comprised of approximately 37 school divisions, over 700 public schools, 94 independent schools and over 50 band-operated schools within approximately 62 First Nations.

SECONDARY

Approximately 7 post-secondary institutions, adult learner centres, Department of Education, Citizenship and Youth, Advanced Education and Literacy and educational organizations.

TERTIARY

Other government departments and related organizations.

While MERLIN does not have a monopoly for its services within the province, it does have a unique position in the education community allowing for the provision of an education-specific component to decision-making, provincial coordination, and advisory services. The Agency attempts to foster cooperative relationships with private industry to benefit the education community.

"School divisions in Manitoba greatly benefit from the partnership with MERLIN. Evergreen School Division appreciates the valuable assistance that MERLIN has provided over the years. The talented and patient staff at MERLIN make it easy for us to build a stronger support system for our schools.

School divisions often hesitate to try a technology that isn't widely adopted and understood. We require the forward thinking, the foresight and expertise that MERLIN can offer as we investigate leading-edge IT technology and network implementations. MERLIN has been a leader in assisting school divisions enter into province-wide

agreements with vendors to provide affordable pricing. The Partner Program with Microsoft has allowed schools to keep current with software versions and to provide applications that are consistent in every classroom. This has provided valuable opportunities for schools to investigate new and emerging technologies. MERLIN has also provided reliable hosting of applications for school divisions.

We look forward to the exciting projects that schools will be involved in during the following school year. School divisions will continue to depend on MERLIN in ongoing ICT initiatives."

Lloyd Roche, Technology Consultant,
Evergreen School Division

Services	Schools	Dept. of Education, Citizenship and Youth	Post-Secondary Institutions
Partner Program (bundling of services)	X		
Funded Independent Schools' Partner Program	X		
Consulting	X		
Provincial Licensing and Purchasing	X	X (MSD)*	X
Shared Services - all hosting and ISP costs for the provision of services outside the Partner Programs ex:	X	X	X
• Content filtering			
• Hosting of websites and web-based applications			
• Email anti-spam / anti-virus solutions			
• Email list server			
Technical Training Services	X		
General Support for the Education Community	X	X (MSD)	X

* Manitoba School for the Deaf

Performance Review

Performance Targets and Accomplishments

Performance Areas

- Focus on the K-12 system
- Focus on provincial services
- Improve access to MERLIN's services for rural and northern school divisions
- Proactive planning

MERLIN made a significant impact in many areas during the Fiscal Year 2007/2008. Some examples are highlighted below.

New Logo

After twelve years and a physical move to Smartpark, MERLIN decided it was an opportune time to revisit its image including the redesign of its logo. The three concentric circles of the logo symbolize MERLIN's connections to education, government and community.

"MERLIN provides a valuable service to the schools in Manitoba. Over the past few years, some of the post-secondary institutions have begun to rely on MERLIN's services. At the University College of the North (UCN), we have been able to reduce our costs by purchasing a number of software products through MERLIN. We also purchase mission critical services from MERLIN such as Anti-spam Email Filtering and our Internet connection. We have been very pleased with these services."

Daryl Kines, Director of Information Technology,
University College of the North

Partner Program

The Partner Program includes a collection of commonly used services that translate into major cost savings for school divisions in Manitoba. The MERLIN Partner Program is a 3-year commitment that began on July 1, 2006. At the end of the 2006/07 fiscal year, 34 out of 37 school divisions were participating in the Program representing 92% of the full-time equivalent teachers (FTEs) in the province.

As of March 31, 2008, 34 out of 37 school divisions are now participating in the Program. This represents 96% of the full-time teacher equivalents (FTEs) in the province.

A series of update and information sharing sessions were held throughout the year.

A Bulk Hardware Purchasing Program has been added resulting in a simplified purchasing process, consistent pricing (based on combined purchasing power of divisions), purchasing freedom (removal of need to purchase in quantity), and overall cost savings to the education community.

Independent Partner Program

A new Partner Program was customized for independent schools effective July 1, 2007. The first year was modestly successful. The Agency expects further growth in the future.

Provincial Licensing And Purchasing

Educational licensing agreements include:

Microsoft, Adobe, Corel, Novell

The Microsoft Campus Agreement under the Partner Program has brought substantial savings and benefits to the education community. Outside the Partner Program other licensing agreements also contribute to additional savings to schools in Manitoba.

Consulting

MERLIN provides consulting support for two Departments as well as specific requests for school divisions.

1. Department of Science, Technology, Energy and Mines – MERLIN maintains a Geographical Information System database to support planning for community connectivity.

2. Department of Education, Citizenship and Youth (MECY) – MERLIN has a Memorandum of Understanding with MECY which provides a number of consulting and IT related services.

3. MERLIN provides fee for service consulting for the education community. To varying degrees, MERLIN has entered into consulting services with every school division in the province and has been in most schools.

- MERLIN has been involved in the design and implementation of directory services; design and implementation of email services; design and implementation of network segmentation solutions which include security and virtual private networks (VPN) solutions, network management solutions, disaster recovery / backup solutions, mobile deployments, application deployments, virtual infrastructure deployments, network connectivity, fail over strategies and strategies identified.

• MERLIN has consulted with at least 27 school divisions in the last year with activities including:

- Request for Proposals (RFP) for a wide area network.
- Infrastructure review of Microsoft domain structure, project and server migration, SAN and VMWare, implemented routing in WAN for mobility.
- Review from top to bottom working for network segmentation and design and implementation of directory services for single user directory.
- Report for a school division on connectivity options.
- WAN segmentation including installation of a firewall and layer 3 switches and pushed out a school division's new fireprint servers and desktop management software.
- Network security including virtual private network, installation of the switches on the fiber optic.
- Review of new wireless wide area network for security and performance issues.

MERLIN is continually called upon by school divisions with issue resolution and provides an objective evaluation and recommendations. The Agency's goal is for school divisions to become self-sufficient managing their own infrastructures.



Shared Services

Technical support

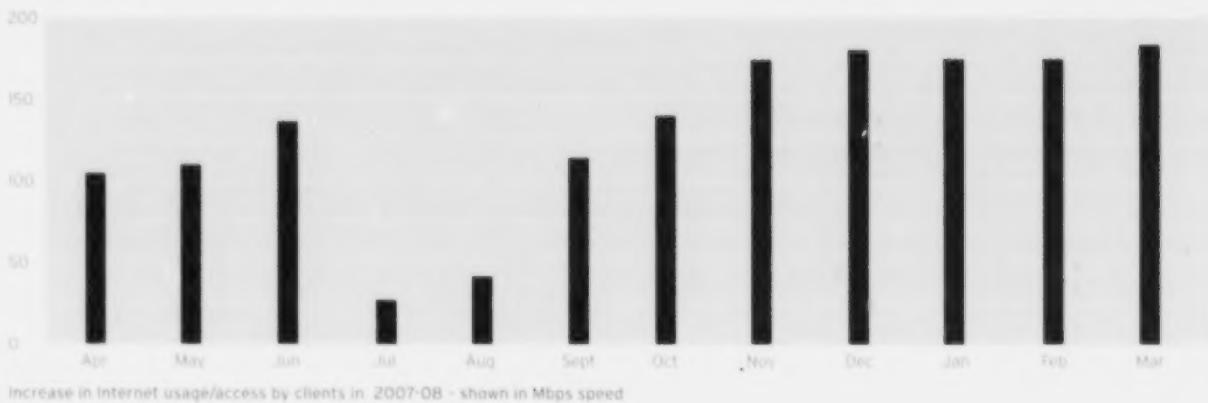
Web server and maintenance of the Department of Education, Citizenship and Youth's (MECY) web page.

Hosted

- IRU/DREF from the MECY library system and associated databases

- School courses for web-based distance delivery including transition to the latest version of BlackBoard learning system
- Web and email domains
- FirstClass, Microsoft SharePoint, Microsoft Exchange email and calendaring services, StudentsAchieve, Wordpress blog, Adobe Connect web conferencing pilot
- ePEARL electronic portfolio for students ~ MERLIN is hosting the application for 36 educational organizations including 24 school divisions. The Agency assisted the Department of Education, Citizenship and Youth in providing training sessions

High-Speed Direct Connect Services



MERLIN continues to offer internet gateway services to schools via fibre, wireless, high-speed circuits and the Manitoba Network as well as to provide and explore value added services such as bandwidth shaping, firewall, anti-spam, anti-virus and web content filtering.

MRnet is Manitoba's connection to the global high-speed (at least 1 Gb/s) education and research network through CA.net 4. MERLIN is the gateway organization for K-12 school connectivity to CA.net 4. Some school divisions in the Westman area have direct connectivity to MERLIN through the MRnet link at Brandon University. MERLIN

continues to work with other service providers to facilitate additional connections through Brandon University.

The Manitoba Network, previously referred to as the Public Sector Data Network (PSDN), connects computer systems in government offices and some agencies, boards, crown corporations as well as all 84 community hospitals. MERLIN has facilitated access to the PSDN for schools in Manitoba.

Total number of connections: 25

Total number of schools: 88

"Mountain View School Division has benefited from our partnership with MERLIN and will continue to look to build upon this relationship in the future. MERLIN has outstanding people with the vision required to solve issues long before becoming problems and it is great to work with such an enjoyable group of people we have come to trust and rely on."

Brian Belinsky, Mountain View School Division

Content Filtering

Content filtering is the blocking or filtering of undesirable internet content. There are presently 29 school divisions and 7 private schools utilizing this service from MERLIN.

Anti-virus / Anti-spam email filtering service

MERLIN's research on and implementation of solutions to these ever growing problems is providing assistance to school divisions. All email accounts hosted by MERLIN are scanned for spam as well as for viruses. This service is available for an annual fee for service to any school division who runs their own email server.

Email list server

This electronic mail discussion list gives each mailing list a unique web page and allows users to subscribe, unsubscribe, and change their account options over the web. To date there are 74 lists created.

General Support to the Educational Community

As part of its service portfolio, MERLIN provides general support to the education community facilitating communication, collaboration and ensuring that the Agency is on track in its service provision. Some of the areas in which MERLIN provides support include:

Partnerships

- Green Manitoba and MERLIN worked in partnership with the City of Brandon and Computers for Schools and Libraries to facilitate e-waste recycling services for school divisions.
- Green Manitoba and MERLIN also partnered to work towards a green initiative to reduce the power consumption of computers in Manitoba schools.
- Staff updated the data (via Geographical Information System) on the status of connectivity in the province. MERLIN continues to collaborate with ICT Services Manitoba and Broadband to expand the scope of the Manitoba Network to include all public schools.
- Community Connections - MERLIN administered the Community Access Program sites in schools, adult education centres and libraries segment of their program.

Help line

The Agency's help line continued to be widely used for free technical support on concerns ranging from internet access to network and computer hardware issues responding to thousands of inquiries.

Presentations / meetings / committee support

MERLIN staff regularly attend and support the following:

- Computer Education Coordinators of Manitoba (CECM) – regular meetings in Brandon and Winnipeg.
- Member of the Computers for Schools and Libraries Manitoba Board of Directors and the Computers for Schools and Libraries Manitoba Management Committee.
- Treasurer of the Manitoba Regional Advanced Network (MRnet).
- Representative on the Post Secondary Education Committee on Learning Technologies (PSECLT) which oversees the operation of Campus Manitoba.
- Representative on MECY Literacy with Information and Communication Technology Advisory Committee.
- Involved with planning the 7th annual conference for Manitoba Association for Distributed Learning and Training (MADLaT), May 2008.
- Involved with BYTE Planning Committee in planning and organizing of the 5th Annual Technology Conference BYTE 2008 (February) in Western Manitoba.
- Promotional material sent to the Schools in Manitoba Book and the MASBO, MASS annual magazines. "Repackaged" the MERLIN Partner Program. 'Postcards' were designed for distribution to bring awareness of the Program to the general public.
- MERLIN participated in trade shows at Riding the Wave Annual Conference in Evergreen School Division in May, Manitoba Association of School Superintendents (MASS) in November, and the Pembina Trails School Division in January.



Future Outlook

Partner Program

Consultations have begun for the second three-year agreement for the Partner Program which will begin July 1, 2009.

Manitoba Network

MERLIN will continue to provide support to the Manitoba Network through liaison with Manitoba school divisions and post-secondary institutions to assist in gathering feedback that reflects their needs. Staff will continue to support the updating of data that illustrates the status of connectivity.

Community Connections

MERLIN, in partnership with the Manitoba E-Association, will support the continued delivery of the Community Access Programs from schools, adult learning centres and libraries to include all community access programs sites.

MERLIN Infrastructure Updates

Over the past year, MERLIN has added enterprise class network infrastructure to support the Partner Program and overall services. The Agency plans to complete infrastructure upgrades over the summer of 2008 when downtime is less of a concern.

Student Email Option

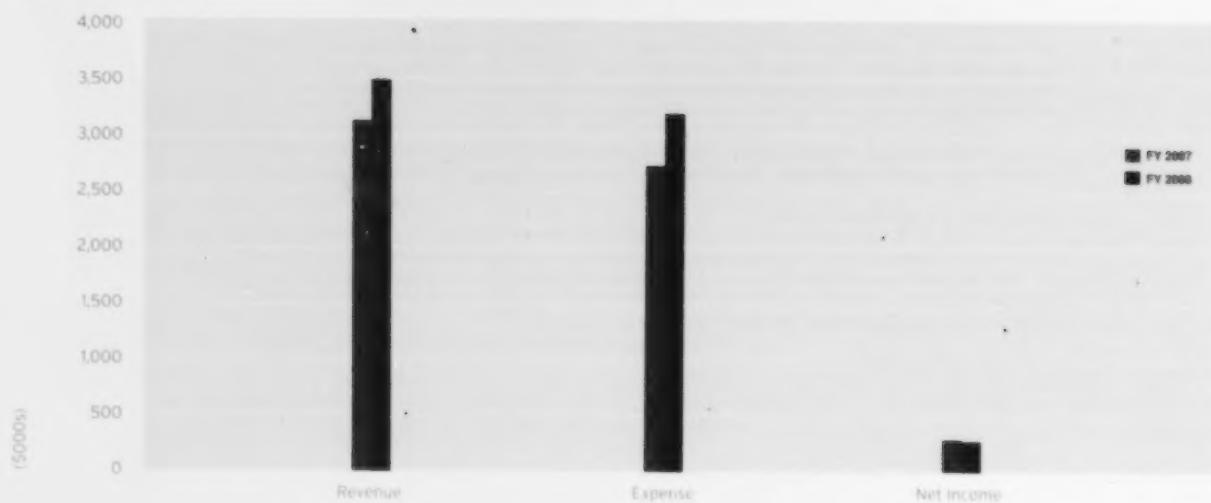
MERLIN is working on implementing a new infrastructure to host student email for K-12 students. This service will be available to schools at no cost. Full production is anticipated by September 2008. The new system will support federation to school division directories so students can use the same id / password that they use to log into the school.

"The Manitoba Federation of Independent Schools appreciates the assistance MERLIN has provided Manitoba's Independent Schools with Technology Services. This year the schools had the opportunity to participate in the first Professional Development Workshops for the School's Technicians. As schools embrace the necessity of providing Information and Communication Technology as a tool for learning the participation in the Partner Program continues to grow."

Susan Eberhard, Executive Director,
Manitoba Federation of Independent Schools

Financial Statement Analysis

Financial Summary



Financial Position





The accompanying financial statements are the responsibility of the Management of Manitoba Education, Research and Learning Information Networks (MERLIN) and have been prepared in accordance with Canadian generally accepted accounting principles. In Management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating Management's best judgement regarding all necessary estimates and all other data available up to May 28, 2008.

Management maintains internal controls to properly safeguard MERLIN's assets. These controls also provide reasonable assurance that the books and records from which financial statements are derived accurately reflect all transactions, and that established policies and procedures are followed.

The Auditors' responsibility is to express an independent opinion on whether the financial statements of MERLIN are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' report outlines the scope of the audit examination and provides an audit opinion.

On behalf of Management,

A handwritten signature of Greg Baylis over a solid horizontal line.

Greg Baylis
Chief Operating Officer

A handwritten signature of David Olson over a solid horizontal line.

David Olson
Controller

Manitoba Education, Research and Learning Information Networks (MERLIN)
May 28, 2008

2007-08 Annual Report of the Manitoba Education, Research and Learning Information Networks (MERLIN) to the Manitoba Legislative Assembly
2007-08 Annual Report of the Manitoba Legislative Assembly



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Auditors' Report

To the Special Operating Agencies Financing Authority:

We have audited the balance sheet of **MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS**, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2008 and the statements of income, comprehensive income and retained earnings (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

BDO Dunwoody LLP

Winnipeg, Manitoba

May 28, 2008

BDO Dunwoody LLP is a Limited Liability Partnership registered in Ontario
BDO Dunwoody s.r.l. est une société à responsabilité limitée constituée en Ontario

Balance Sheet

(In Thousands)

March 31	2008	2007
Assets		
Current Assets		
Cash and funds on deposit	\$604	\$636
Accounts receivable	217	220
Receivable from the Province of Manitoba (Note 2)	47	-
Prepaid expense	274	372
	1,142	1,228
Receivable from the Province of Manitoba (Note 2)	-	47
Capital assets (Note 3)	467	204
	\$1,609	\$1,479
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued expenses	\$214	\$261
Unearned revenue	1,028	463
	1,242	724
Cyberschools (Note 6)	-	665
Severance pay liability (Note 7)	75	91
	1,317	1,480
Commitments (Note 9)		
Retained earnings (deficit) (Page 19)	292	(1)
	\$1,609	\$1,479

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Statement of Income, Comprehensive Income and Retained Earnings (Deficit)
 (In Thousands)

For the year ended March 31	2008	2007
Revenue		
Province of Manitoba - Science, Technology, Energy and Mines Funding	\$446	\$446
Fee for goods and services	2,873	2,527
Other	27	45
Cyberschools	133	121
	3,479	3,139
Expenses		
Advertising and promotion	27	24
Amortization	93	63
Audit and legal fees	10	8
Communication	189	238
Conferences	13	25
Cost of purchases for resale	1,445	1,232
Cyberschools		
Salaries and benefits	61	59
Other expenses	72	62
Equipment repair and maintenance	113	94
Occupancy	61	54
Office and miscellaneous	36	28
Professional development	44	13
Purchased services	8	-
Salaries and benefits	969	895
Travel	45	30
	3,186	2,825
Net income and comprehensive income for the year	293	314
Deficit, beginning of year	(1)	(315)
Retained earnings (deficit), end of year (Page 18)	\$292	\$0

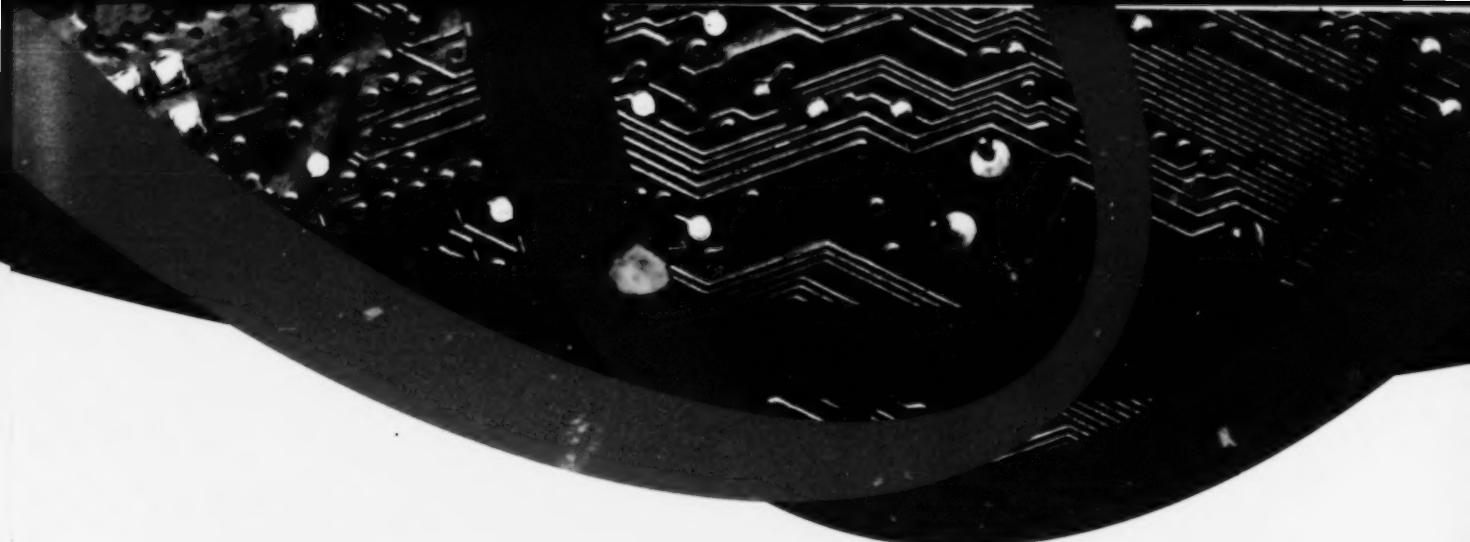
The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Statement of Cash Flows

(in Thousands)

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Net income for the year	\$293	\$314
Adjustment for Amortization	93	63
	386	377
Changes in non-cash working capital		
Accounts receivable	3	(101)
Prepaid expenses	98	(308)
Accounts payable	(47)	10
Unearned revenue	33	383
	87	(16)
Severance liability	(16)	9
	457	370
Cash Flows from Investing Activities		
Capital assets	(356)	(186)
Cash Flows from Financing Activities		
Cyberschools	(133)	(121)
Net increase (decrease) in cash and cash equivalents	(32)	63
Cash and cash equivalents, beginning of year	636	573
Cash and cash equivalents, end of year	\$604	\$636

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.



Summary of Significant Accounting Policies

March 31, 2008

Basis of Reporting

The financial statements of the Agency are presented in accordance with Canadian generally accepted accounting principles.

Capital Assets

Capital assets are recorded at cost and are amortized annually on a straight-line basis as follows:

Computer hardware	20%
Computer software	20%
Equipment and furniture	20%
Leaseholds	20%

In the year of acquisition, amortization is calculated at one-half the rate indicated.

Revenue Recognition

Provincial funding is recognized over the term for which it applies.

Fees for service are recognized as the service is performed or ownership of goods has been transferred. Internet charges are recognized once service has been provided, and billed at the end of each quarter. Special projects are billed based on the terms of the contract.

Revenues for the Cyberschools project have been received in advance and are taken into income as expenditures are incurred.

New Accounting Policies

Effective April 1, 2007 the Agency adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

Section 1530, Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represent the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Agency has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the Agency has no items related to other comprehensive income, comprehensive income is equal to net income.

Section 3855, Financial Instruments - Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Agency is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Agency has designated its financial instruments as follows:

Cash and funds on deposit are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Accounts receivables and receivables from the Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued expenses are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the entities financial statements for the year ended March 31, 2008.

Financial Instruments

The Agency's financial instruments consist of cash and funds on deposit, accounts receivable, receivable from the Province of Manitoba, accounts payable and accrued expenses.

Unless otherwise noted, it is management's opinion that the agency is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of accounts receivable, receivable from the Province of Manitoba, accounts payable and accrued expenses approximate their carrying values due to their short-term maturity.

Use of Estimates

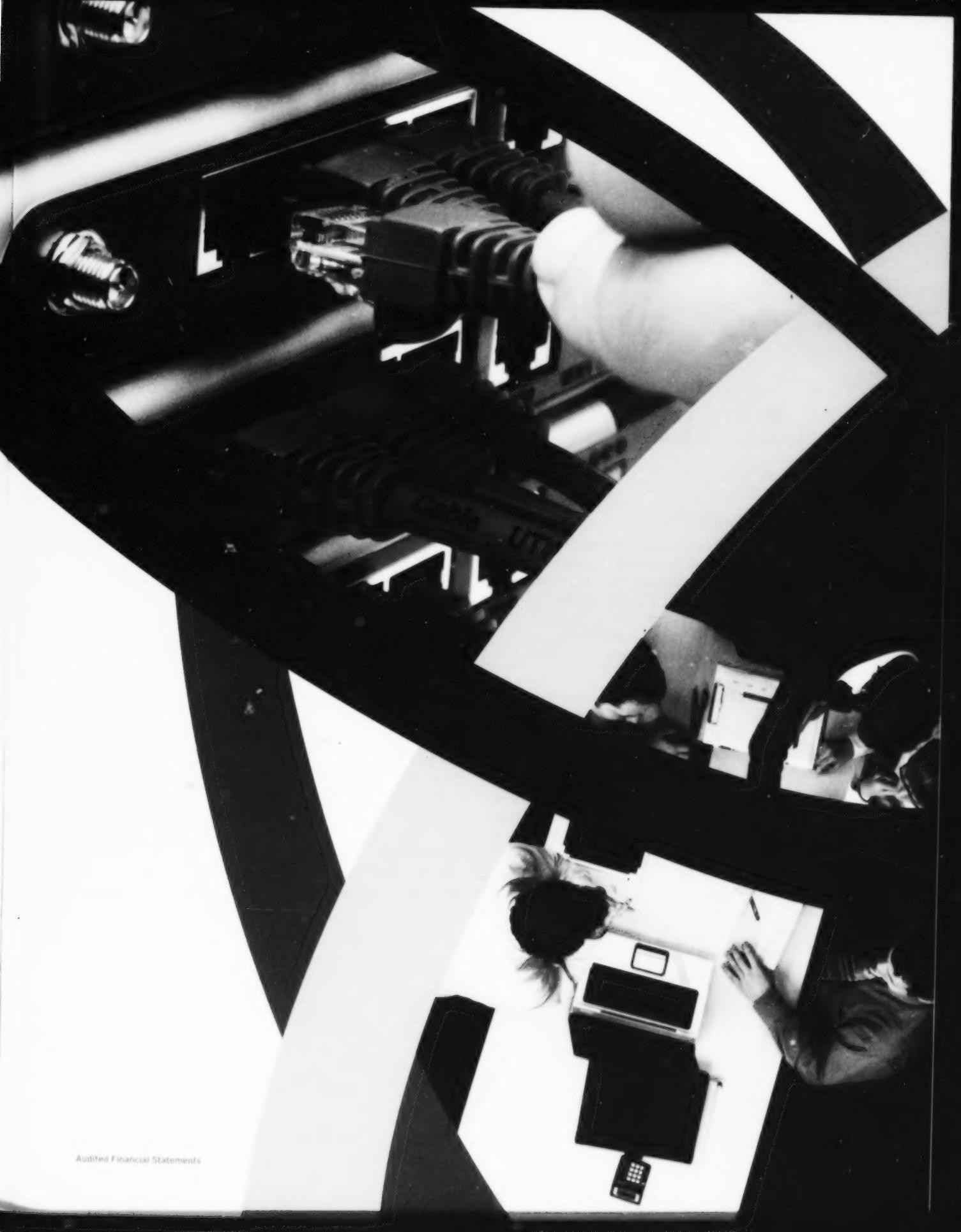
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.





Notes to Financial Statements

(In Thousands)

March 31, 2008

1. Nature of Organization

Effective April 1, 1995, Manitoba Education, Research and Learning Information Networks (MERLIN) was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council. Effective September 25, 2002, the Agency operates as part of Science, Technology, Energy and Mines under the general direction of the Deputy Minister.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business like manner according to public policy expectations.

A Management Agreement between SOAFA and the Minister of Science, Technology, Energy and Mines assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of SOAFA.

The Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

The Agency is economically dependent on the Province of Manitoba as it derives much of its revenue and all of its financing requirements from the Province.

2. Receivable from the Province of Manitoba

The receivable from the Province of Manitoba is made up of vacation entitlement earned by the employees of the Agency prior to creation of the Special Operating Agency on April 1, 1995 and for severance pay benefits earned prior to April 1, 1998. The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balances related to prior years' funding for severance pay and vacation pay liabilities. These payments will be placed in an interest bearing trust account on March 31, 2009 to be held on the Agency's behalf until the cash is required to discharge the related liabilities. Accordingly, these receivables are classified as current. The balance consists of:

	2008	2007
Vacation entitlements	\$19	\$19
Severance pay benefits	28	28
	\$47	\$47

3. Capital Assets

	Cost	2008 Accumulated Amortization	Cost	2007 Accumulated Amortization
Computer hardware	\$564	\$201	\$361	\$212
Computer software	81	14	34	3
Equipment and furniture	47	18	93	79
Leaseholds	11	3	11	1
	<hr/>	<hr/>	<hr/>	<hr/>
	\$703	\$236	\$499	\$295
Cost less accumulated amortization				
		\$467		\$204

4. Working Capital Advances

These advances are provided to the Agency through the Special Operating Agencies Financing Authority pursuant to the Management Agreement. The Agency has an authorized line of working capital advances of \$2.0 million of which \$NIL was used at March 31, 2008 (2007 - \$NIL).

During the year, the Agency incurred interest charges of \$NIL (2007 - \$NIL).

5. Accrued Vacation Entitlements

The Agency follows the policy of the Department of Finance to recognize accumulated vacation entitlement liability. The liability is offset by a receivable from the Province of \$19, which was the balance as at March 31, 1998. Any subsequent changes to the entitlement are reflected as a current year expense to the Agency. At March 31, 2008, the accrued vacation entitlement was \$98 (2007 - \$108).

6. Cyberschools

The Agency has entered into an agreement with Community Connections to develop, implement and operate a province-wide communication gateway / portal to support K-12 education and Community Connections lifelong learners. The service will include access to secure email, calendars, and file storage.

Receipts and disbursements are as follows:

	2008	2007
Deferred balance, beginning of year	\$665	\$786
Receipts:		
Disbursements	(183)	(121)
Transfer to shared services		
Unearned revenue - current liabilities	(542)	
Deferred balance, end of year	\$	\$66%

Appendix 1

Staff as at March 31, 2008

Greg Baylis - Chief Operating Officer
Jared Bater - Consultant, Unix Technologies
Kiley Bender - Manager, Partner Programs
Barb Finnimore - Internet Administrator
Darrell Finnimore - Media Technician
Warren Grieder - Consultant, Internet Technologies
John Hiebert - Consultant, Networking Technologies
Debbie Jennings - Regional Representative and Distance Education Specialist
Lynn Fillion - Provincial Licensing and Software Sales Specialist
Diane Karalash - Financial Administrator
Colette Lafond - Communications Coordinator
David Olafson - Comptroller
Grant Wallin - Manager, Information & Communication Technologies
Brent McCrea - Consultant, Microsoft Technologies
Mike Hart - Consultant, Microsoft Technologies
Vacant - Systems Manager

Jeannette Freese
Secretary-Treasurer
Kelsey School Division

Paul Ichena
Secretary-Treasurer
Seine River School Division

Gerry Miller
Executive Director, Information Services and Technology
University of Manitoba

Cheryl Prokopanko
Coordinator, Learning Support and Technology Unit
Instruction, Curriculum and Assessment Branch
Manitoba Education, Citizenship and Youth

Brad Biehn
Director of Information Systems
Louis Riel School Division

Gaylene Schroder-Nishimura
Assistant Secretary-Treasurer
Seven Oaks School Division

Daryl Kines
Director of Information Technology
University College of the North

Grant Butler
Computer Education Coordinator
Rolling River School Division

Andy McKiel
Coordinator of Curriculum; Literacy with ICT
St. James Assiniboia School Division

Greg Baylis
Chief Operating Officer
MERLIN

Appendix 2

Advisory Board

Ron Weston, Chair
Chief Superintendent
St. James-Assiniboia School Division

Doug Edmond
Director of Research, Planning and Systems Management
Winnipeg School Division

Gordon Shead
Chief Superintendent
Frontier School Division

"I am very pleased with our relationship with MERLIN in all aspects (software purchasing, technical support on the server side, Internet hosting, spam filtering...). MERLIN staff are knowledgeable, professional, and always courteous."

Denis Bernardin, Directeur des Services informatiques, Collège universitaire de Saint-Boniface

7. Severance Pay Liability

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and / or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Agency's actuarially determined net liability for accounting purposes as at March 31, 2008 was \$75 (2007 - \$91). Commencing in the 2006 fiscal year the actuarial loss of \$2 is being amortized over the 15 year expected average remaining service life of the employee group.

8. Revenue – Manitoba Education, Citizenship and Youth

The Agency is responsible for the delivery of distance education and technology programs formerly provided through Manitoba Education, Citizenship and Youth. The Agency receives a fee from the Department, established annually and paid quarterly, in exchange for delivery of these services.

Public Sector Compensation

Pursuant to The Public Sector Compensation Disclosure Act, employees of MERLIN who have received compensation of \$50 000 or more, including benefits and severance payments, in the year ended March 31, 2008, are disclosed in Volume 2 of the Public Accounts of the Province of Manitoba.



Science, Technology, Energy and Mines

MERLIN is a special operating agency with the Department
of Science, Technology, Energy and Mines

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